

House Study Bill 283

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY
CHAIRPERSON SHOMSHOR)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to residential property and property taxation
2 within a self-supported municipal improvement district,
3 providing a property tax exemption, and providing for mail
4 delivery of notices.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
6 TLSB 2675HC 83
7 md/rj/14

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1 1 Section 1. Section 386.1, Code 2009, is amended by adding
1 2 the following new subsection:
1 3 NEW SUBSECTION. 4A. "Neighborhood" means an area zoned,
1 4 in whole or at least in part, for residential use that may
1 5 include an area zoned for commercial or industrial use.
1 6 Sec. 2. Section 386.3, subsection 1, paragraph a, Code
1 7 2009, is amended to read as follows:
1 8 a. Be comprised of contiguous property wholly located
1 9 within the boundaries of the city. A self-supported municipal
~~1 10 improvement district shall be comprised only of property in~~
~~1 11 districts which are and one of the following:~~
1 12 (1) An area zoned for commercial or industrial uses and
~~1 13 properties within a use.~~
1 14 (2) A duly designated historic district.
1 15 (3) A neighborhood.
1 16 Sec. 3. Section 386.3, subsection 4, Code 2009, is amended
1 17 to read as follows:
1 18 4. Upon the receipt of the commission's final report the
1 19 council shall set a time and place for a meeting at which the
1 20 council proposes to take action for the establishment of the
1 21 district, and shall publish notice of the meeting as provided
1 22 in section 362.3, and the clerk shall send a copy of the
1 23 notice by certified first class mail not less than fifteen
1 24 days before the meeting to each owner of property within the
1 25 proposed district at the owner's address as shown by the
1 26 records of the county auditor. If a property is shown to be in
1 27 the name of more than one owner at the same mailing address, a
1 28 single notice may be mailed addressed to all owners at that
1 29 address. Failure to receive a mailed notice is not grounds for
1 30 objection to the council's taking any action authorized in
1 31 this chapter.
1 32 Sec. 4. Section 386.8, Code 2009, is amended to read as
1 33 follows:
1 34 386.8 OPERATION TAX.
1 35 A city may establish a self-supported improvement district
2 1 operation fund, and may certify taxes not to exceed the rate
2 2 limitation as established in the ordinance creating the
2 3 district, or any amendment thereto, each year to be levied for
2 4 the fund against all of the property in the district, for the
2 5 purpose of paying the administrative expenses of the district,
2 6 which may include but are not limited to administrative
2 7 personnel salaries, a separate administrative office, planning
2 8 costs including consultation fees, engineering fees,
2 9 architectural fees, and legal fees and all other expenses
2 10 reasonably associated with the administration of the district
2 11 and the fulfilling of the purposes of the district. The taxes
2 12 levied for this fund may also be used for the purpose of
2 13 paying maintenance expenses of improvements or
2 14 self-liquidating improvements for a specified length of time
2 15 with one or more options to renew if such is clearly stated in
2 16 the petition which requests the council to authorize

2 17 construction of the improvement or self=liquidating
2 18 improvement, whether or not such petition is combined with the
2 19 petition requesting creation of a district. ~~Parcels Except~~
2 20 ~~for residential property within a duly designated historic~~
2 21 ~~district, parcels of property which are assessed as~~
2 22 ~~residential property for property tax purposes and are located~~
2 23 ~~within a district created prior to July 1, 2009, are exempt~~
2 24 ~~from the tax levied under this section except residential~~
2 25 ~~properties within a duly designated historic district.~~
2 26 ~~However, the ordinance creating a district may be amended~~
2 27 ~~pursuant to section 386.4 to specifically identify and add~~
2 28 ~~such residential property to the existing district and make~~
2 29 ~~such property subject to the tax. A tax levied under this~~
2 30 section is not subject to the levy limitation in section
2 31 384.1.

2 32 Sec. 5. Section 386.9, Code 2009, is amended to read as
2 33 follows:

2 34 386.9 CAPITAL IMPROVEMENT TAX.

2 35 A city may establish a capital improvement fund for a
3 1 district and may certify taxes, not to exceed the rate
3 2 established by the ordinance creating the district, or any
3 3 subsequent amendment thereto, each year to be levied for the
3 4 fund against all of the property in the district, for the
3 5 purpose of accumulating moneys for the financing or payment of
3 6 a part or all of the costs of any improvement or self=
3 7 liquidating improvement. ~~However Except for residential~~
3 8 ~~property within a duly designated historic district, parcels~~
3 9 ~~of property which are assessed as residential property for~~
3 10 ~~property tax purposes and are located within a district~~
3 11 ~~created prior to July 1, 2009, are exempt from the tax levied~~
3 12 ~~under this section except residential properties within a duly~~
3 13 ~~designated historic district. However, the ordinance creating~~
3 14 ~~a district may be amended pursuant to section 386.4 to~~
3 15 ~~specifically identify and add such residential property to the~~
3 16 ~~existing district and make such property subject to the tax.~~
3 17 A tax levied under this section is not subject to the levy
3 18 limitations in section 384.1 or 384.7.

3 19 Sec. 6. Section 386.10, Code 2009, is amended to read as
3 20 follows:

3 21 386.10 DEBT SERVICE TAX.

3 22 A city shall establish a self-supported municipal
3 23 improvement district debt service fund whenever any
3 24 self-supported municipal improvement district bonds are issued
3 25 and outstanding, other than revenue bonds, and shall certify
3 26 taxes to be levied against all of the property in the district
3 27 for the debt service fund in the amount necessary to pay
3 28 interest as it becomes due and the amount necessary to pay, or
3 29 to create a sinking fund to pay, the principal at maturity of
3 30 all self-supported municipal improvement district bonds as
3 31 authorized in section 386.11, issued by the city. ~~However~~
3 32 ~~Except for residential property within a duly designated~~
3 33 ~~historic district, parcels of property which are assessed as~~
3 34 ~~residential property for property tax purposes at the time of~~
3 35 ~~the issuance of the bonds and are located within a district~~
4 1 ~~created prior to July 1, 2009, are exempt from the tax levied~~
4 2 ~~under this section until the parcels are no longer assessed as~~
4 3 ~~residential property or until the residential properties are~~
4 4 ~~designated as a part of an historic district. However, the~~
4 5 ~~ordinance creating a district may be amended pursuant to~~
4 6 ~~section 386.4 to specifically identify and add such~~
4 7 ~~residential property to the existing district and make such~~
4 8 ~~property subject to the tax.~~

4 9 Sec. 7. NEW SECTION. 386.15 TAXES NOT IMPOSED AGAINST
4 10 CERTAIN RESIDENTIAL PROPERTY.

4 11 The property taxes authorized pursuant to sections 386.8,
4 12 386.9, and 386.10 shall not be imposed against residential
4 13 property in a neighborhood district if the owner of the
4 14 residential property occupies the property and, for the fiscal
4 15 year in which the property taxes are due, has a claim for the
4 16 low-income elderly and disabled property tax credit certified
4 17 for payment to the department of revenue under chapter 425,
4 18 division II.

4 19 Sec. 8. IMPLEMENTATION OF ACT. Section 25B.7 shall not
4 20 apply to the property tax exemption created under this Act.

4 21 EXPLANATION

4 22 Code chapter 386 currently allows a city to create a self=
4 23 supported municipal improvement district comprised of areas
4 24 zoned for commercial or industrial use and property within a
4 25 duly designated historic district. This bill allows the city
4 26 to create a district comprised of an area zoned, in whole or
4 27 at least in part, for residential use, known as a

4 28 neighborhood. Any combination of residential, commercial, or
4 29 industrial properties may comprise a district.
4 30 Currently, residential properties located within a district
4 31 comprised of commercial or industrial properties are exempt
4 32 from taxes levied under this Code chapter. This exemption
4 33 will continue for districts created prior to July 1, 2009.
4 34 However, the ordinance creating the district may be amended
4 35 pursuant to Code section 386.4 to specifically identify and
5 1 add such residential property to the existing district and
5 2 make such property subject to the tax.
5 3 The bill exempts certain residential property within a
5 4 neighborhood district from the property tax authorized
5 5 pursuant to Code sections 386.8, 386.9, and 386.10 if the
5 6 owner of the residential property occupies the property and,
5 7 for the fiscal year in which property taxes are due, has a
5 8 claim for the low-income elderly and disabled property tax
5 9 credit.
5 10 The requirement under Code section 25B.7 that the cost of a
5 11 property tax exemption be fully funded by the state does not
5 12 apply to the exemption under new Code section 386.15.
5 13 Code chapter 386 currently requires the city to send
5 14 notices of meetings, to establish or amend a district, for
5 15 example, to each affected property owner by certified mail.
5 16 The bill provides that the notice be sent by first class mail.
5 17 LSB 2675HC 83
5 18 md/rj/14